

**CITY COURT OF
LAKE CHARLES, LOUISIANA
CITY OF LAKE CHARLES, LOUISIANA
COMPONENT UNIT FINANCIAL REPORT
DECEMBER 31, 2008 AND 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/22/09

CITY COURT OF
LAKE CHARLES, LOUISIANA

December 31, 2008

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CITY COURT OF
LAKE CHARLES, LOUISIANA

December 31, 2008

JUDGES

Honorable John S. Hood

Honorable Thomas P. Quirk

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CPE - Certified Fraud Examiner
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS

Honorable John S. Hood
Honorable Thomas P. Quirk
City Court of Lake Charles
Lake Charles, Louisiana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Lake Charles, Louisiana, a component unit of the City of Lake Charles, Louisiana, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the City Court's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City Court of Lake Charles, Louisiana management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Lake Charles, Louisiana, as of December 31, 2008 and 2007, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 6 through 11 and budgetary comparison information on pages 28 and 31 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2009, on our consideration of the City Court of Lake Charles, Louisiana's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

W. Elroy Quirk & Busch,

Lake Charles, Louisiana
June 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Lake Charles City Court's financial performance provides an overview of the City Court's financial activities for the years ended December 31, 2008 and 2007.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of City Court as a whole and present a longer-term view of the City Court's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City Court's operations in more detail than the government-wide statements by providing information about the City Court's most significant funds. The remaining statements provide financial information about activities for which the City Court acts solely as an agent for the benefit of those outside of the government.

Reporting the City Court as a Whole

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the City Court as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City Court's net assets and changes in them. The City Court's net assets - the difference between assets and liabilities - as one way to measure the City Court's financial position. Over time, increases or decreases in the City Court's net assets are one indicator of whether its financial health is improving or deteriorating.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City Court as a whole. Some funds are required to be established by State law. However, the City Court establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain money. City Court's governmental fund uses a certain account approach described below:

Governmental funds - All of the City Court's basic services are reported in governmental funds, except for one fiduciary fund. The governmental fund focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City Court's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City Court's programs.

Reporting the City Court's Fiduciary Responsibilities

The City Court is the agent, or fiduciary for the civil fund. All the City Court's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the City Court's other financial statements because the City Court cannot use these assets to finance its operations. The City Court is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY COURT AS A WHOLE

For the years ended December 31, 2008 and 2007, net assets changed as follows:

	<u>2008</u>	<u>2007</u>
Beginning net assets	\$ 1,543,784	\$ 1,104,658
Increase in net assets	<u>378,117</u>	<u>439,126</u>
Ending net assets	<u>\$ 1,921,901</u>	<u>\$ 1,543,784</u>

The City began paying the utilities of the City Court; therefore, the rent expense has been reduced causing the revenue for the Judicial Building to increase. Also, the waiving of warrant fees has been tightened with the Marshal; therefore, more fees are being collected resulting in more revenue.

An additional reason for the increase in net assets is due to the bill RS 13:1907 being passed for City Court stating that the civil fee account and such fee or cost has remained unclaimed in excess of five years and upon receipt of evidence that notice has been provided or attempted at the last known address to the person who would be due a refund, the judge of the court may transfer the amount of the surplus to the general operational fund of the court. The unclaimed amounts at December 31, 2008 and 2007 were \$109,658 and \$67,320, and were recorded in the general fund as revenue.

Governmental Activities

This section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences. To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. It also identifies how much each function draws from the general revenues or if it is self-financing through fees. Some of the individual line item revenues reported for each function are:

Administration (general government)

Fees earned from violation tickets paid

Judicial

Fees earned through violation tickets paid but restricted to not pay Judge's salary/retirement

Judicial Building

Fees collected for current rent, maintenance and future building for City Court

	Functions/Programs			Totals	
	Administration	Judicial	Judicial Building	2008	2007
Expenses:					
Salaries and benefits	\$ 102,734	\$ 139,243	\$ -	\$ 241,977	\$ 184,266
Materials and supplies	29,110	3,295	-	32,405	24,682
Professional development and training	31,067	14,542	-	45,609	52,804
Rent	-	-	64,913	64,913	63,269
Other expenses	18,245	2,762	-	21,007	24,595
Depreciation	20,721	1,172	-	21,893	16,205
Total expenses	201,877	161,014	64,913	427,804	365,821
Program revenues:					
Charges for services	95,820	220,332	-	316,152	302,034
Judicial building collections	-	-	197,335	197,335	228,640
General revenues	-	-	-	292,434	274,273
Total revenues				805,921	804,947
Change in net assets				\$ 378,117	\$ 439,126

THE CITY COURT'S FUNDS

The fund balance of the City Court's general fund and special revenue fund increased by \$378,117 during the year ended December 31, 2008. This is primarily due to an increase in warrant fees collected on tickets, the increase of collections from the reinstatement fee for the suspension of drivers' licenses, and the forfeited money from the civil filing fees.

The following schedule presents a summary of the general and special revenue funds and expenditures for the years ended December 31, 2008 and 2007. Also presented on the schedules are the amounts and percentages of increase or decrease from amounts for the year ended December 31, 2007.

	<u>Totals</u>		<u>Change</u>	<u>%</u>
	<u>2008</u>	<u>2007</u>	<u>from 2007</u>	<u>Variance</u>
Revenues:				
Charge for services	\$ 316,152	\$ 302,034	\$ 14,118	4.7%
Court cost and fines	262,948	236,507	26,441	11.2%
Interest income	9,651	26,220	(16,569)	-63.2%
Miscellaneous income	19,835	11,547	8,288	71.8%
Judicial building collections	<u>197,335</u>	<u>228,640</u>	<u>(31,305)</u>	<u>13.7%</u>
Total revenues	<u>\$ 805,921</u>	<u>\$ 804,948</u>	<u>\$ 973</u>	<u>0.1%</u>

* Court cost and fines increased because tickets that normally have to appear for court are being allowed to be paid with a larger fine than normal out of court.

* Judicial building collections decreased due to not as many seatbelt tickets being written and paid

	<u>Totals</u>		<u>Change</u>	<u>%</u>
	<u>2008</u>	<u>2007</u>	<u>from 2007</u>	<u>Variance</u>
Expenditures:				
Accounting and legal	\$ 49	\$ -	\$ 49	100.0%
Bank service charges	1,177	675	502	74.4%
Dues and subscriptions	5,737	6,276	(539)	-8.6%
Equipment lease	434	400	34	8.5%
Maintenance	545	4,147	(3,602)	-86.9%
Miscellaneous	5,568	11,334	(5,766)	-50.9%
Office expense	26,667	18,406	8,261	44.9%
Professional development and training	45,560	52,805	(7,245)	-13.7%
Rent	64,913	63,269	1,644	2.6%
Retirement	26,868	22,924	3,942	17.2%
Salaries	215,111	161,342	53,769	33.3%
Taxes-payroll	7,896	3,674	4,222	114.9%
Telephone	5,389	4,364	1,025	23.5%
Capital outlay	<u>32,695</u>	<u>13,867</u>	<u>18,828</u>	<u>135.8%</u>
Total expenditures	<u>\$ 438,607</u>	<u>\$ 363,483</u>	<u>\$ 75,124</u>	<u>20.7%</u>

* Salaries increased due to the court supplementing a portion of the salaries of the employees.

* Capital outlay increased due to the purchase of new computer equipment, software, and a new server.

SIGNIFICANT BUDGET VARIANCES

Over the course of the year, the City Court revised the general fund and special revenue fund budgets one time. This amendment increased budgeted revenues and expenditures by \$66,365 and \$78,324, respectively. A list of the major changes from the original budget and explanations for those changes are as follows:

Revenue:

\$89,941 court cost and fines: Increased because tickets normally having to appear for court are being allowed to be paid with a larger fine outside of court.

\$(33,530) judicial building collections: The ticket count is down and tickets are not getting paid as they have in the recent years.

Expenses:

\$47,403 salary expense: Increased due to court supplementing salaries for employees.

\$32,000 capital outlay: Increased due to the purchase of new computers, software, and a new server.

CAPITAL ASSETS

At the end of December 31, 2008 and 2007, the City Court had \$384,720 and \$352,025 in capital assets. City Court does not have infrastructure of assets to report. This represents a net increase of \$32,695 and \$13,866 over the last two years due to the purchase of new computers, printers, video equipment and software.

	<u>2008</u>	<u>2007</u>
Equipment (i.e., computers, copy machines)	\$ 369,647	\$ 336,952
Furniture and fixtures (i.e., desks, chairs & filing cabinets)	<u>15,073</u>	<u>15,073</u>
	<u>\$ 384,720</u>	<u>\$ 352,025</u>

Difference: \$(32,695) computers, printers, software and video equipment purchased.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

In the last year, tickets were down in numbers and have reduced the fees being generated. It is unforeseen when this pattern will change. It has gone to the legislature and passed that civil suits filed with Lake Charles City Court were raised to a maximum limit of \$25,000. This change will allow more suits to be filed in our court creating more income for our Judicial Building Fund. Also, warrant fees are not being waived as much as in past years; therefore, an increase in revenues from warrant fees should take place.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the City Court's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Court Clerk's office at PO Box 1664; Lake Charles, Louisiana.

Rebecca Liles
City Court Comptroller

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
December 31, 2008 and 2007

ASSETS	<u>2008</u>	<u>2007</u>
Current assets:		
Cash	\$ 1,015,107	\$ 765,485
Cash - restricted	1,000	1,001
Due from other funds	<u>130,925</u>	<u>130,514</u>
Total current assets	<u>1,147,032</u>	<u>897,000</u>
Noncurrent assets:		
Cash - restricted	801,000	667,383
Capital assets (net)	<u>41,495</u>	<u>30,692</u>
Total noncurrent assets	<u>842,495</u>	<u>698,075</u>
Total assets	<u>1,989,527</u>	<u>1,595,075</u>
Liabilities:		
Accounts payable	5,964	453
Due to other agencies	<u>61,662</u>	<u>50,838</u>
Total liabilities	<u>67,626</u>	<u>51,291</u>
Net assets		
Invested in capital assets, net of related debt	41,495	30,692
Restricted	802,000	668,384
Unrestricted	<u>1,078,406</u>	<u>844,708</u>
Total net assets	<u>\$ 1,921,901</u>	<u>\$ 1,543,784</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended December 31, 2008

	<u>Functions/Programs</u>			
	<u>Administration</u>	<u>Judicial</u>	<u>Judicial Building</u>	<u>Total</u>
Expenses:				
Salaries and benefits	\$ 102,734	\$ 139,243	\$ -	\$ 241,977
Materials and supplies	29,110	3,295	-	32,405
Professional development and training	31,067	14,542	-	45,609
Rent	-	-	64,913	64,913
Other program expense	18,245	2,762	-	21,007
Depreciation	<u>20,721</u>	<u>1,172</u>	<u>-</u>	<u>21,893</u>
Total expenses	201,877	161,014	64,913	427,804
Program revenues:				
Charges for services	95,820	220,332	-	316,152
Judicial building collections	<u>-</u>	<u>-</u>	<u>197,335</u>	<u>197,335</u>
Net program expense (income)	\$ <u>106,057</u>	\$ <u>(59,318)</u>	\$ <u>(132,422)</u>	<u>(85,683)</u>
General revenues:				
Interest				9,651
Miscellaneous				19,835
Violations income				<u>262,948</u>
Total general revenues				<u>292,434</u>
Change in net assets				378,117
Net assets - beginning				<u>1,543,784</u>
Net assets - ending				<u>\$ 1,921,901</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended December 31, 2007

	<u>Functions/Programs</u>			
	<u>Administration</u>	<u>Judicial</u>	<u>Judicial Building</u>	<u>Total</u>
Expenses:				
Salaries and benefits	\$ 47,999	\$ 136,267	\$ -	\$ 184,266
Materials and supplies	21,452	3,230	-	24,682
Professional development and training	34,636	18,168	-	52,804
Rent	-	-	63,269	63,269
Other program expense	18,864	5,731	-	24,595
Depreciation	14,110	2,095	-	16,205
Total expenses	137,061	165,491	63,269	365,821
Program revenues:				
Charges for services	107,395	194,639	-	302,034
Judicial building collections	-	-	228,640	228,640
Net program expense (income)	\$ 29,666	\$ (29,148)	\$ (165,371)	(164,853)
General revenues:				
Interest				26,220
Miscellaneous				11,546
Violations income				236,507
Total general revenues				274,273
Change in net assets				439,126
Net assets - beginning				1,104,658
Net assets - ending				\$ 1,543,784

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2008
With Comparative Totals for December 31, 2007

ASSETS	General Fund	Special Revenue Fund	Total Governmental Funds	2008	2007
Current assets:					
Cash	\$ 718,104	\$ 297,003	\$ 1,015,107	\$ 765,486	
Due from other funds	<u>114,212</u>	<u>16,713</u>	<u>130,925</u>	<u>130,513</u>	
Total current assets	832,316	313,716	1,146,032	895,999	
Restricted assets:					
Cash	<u>802,000</u>	<u>-</u>	<u>802,000</u>	<u>668,384</u>	
Total assets	<u>\$ 1,634,316</u>	<u>\$ 313,716</u>	<u>\$ 1,948,032</u>	<u>\$ 1,564,383</u>	
LIABILITIES					
Current liabilities (payable from current assets):					
Accounts payable	\$ 5,909	\$ 55	\$ 5,964	\$ 453	
Due to other agencies	<u>61,662</u>	<u>-</u>	<u>61,662</u>	<u>50,838</u>	
Total current liabilities payable from current assets	<u>67,571</u>	<u>55</u>	<u>67,626</u>	<u>51,291</u>	
FUND BALANCES					
Fund balance:					
Reserved	802,000	-	802,000	668,384	
Unreserved	<u>764,745</u>	<u>313,661</u>	<u>1,078,406</u>	<u>844,708</u>	
Total fund balance	<u>1,566,745</u>	<u>313,661</u>	<u>1,880,406</u>	<u>1,513,092</u>	
Total liabilities and fund balances	<u>\$ 1,634,316</u>	<u>\$ 313,716</u>			
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$21,892			<u>41,495</u>	<u>30,692</u>	
Net assets of government activities			<u>\$ 1,921,901</u>	<u>\$ 1,543,784</u>	

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS

Year Ended December 31, 2008

With Comparative Totals for Year Ended December 31, 2007

	General Fund	Special Revenue Fund	Total Governmental Funds	
			2008	2007
Revenues:				
Charges for services	\$ 95,820	\$ 220,332	\$ 316,152	\$ 302,034
Court costs and fines	262,948	-	262,948	236,507
Interest income	7,021	2,630	9,651	26,220
Miscellaneous	15,902	3,933	19,835	11,547
Judicial building collections	197,335	-	197,335	228,640
Total revenues	<u>579,026</u>	<u>226,895</u>	<u>805,921</u>	<u>804,948</u>
Expenditures:				
Current:				
Accounting and legal	49	-	49	-
Bank service charges	930	247	1,177	675
Dues and subscriptions	4,194	1,543	5,737	6,276
Equipment lease	434	-	434	400
Maintenance	294	251	545	4,148
Miscellaneous	4,514	1,054	5,568	11,334
Office expense	24,915	1,752	26,667	18,406
Professional development and training	45,560	-	45,560	52,805
Rent	64,913	-	64,913	63,269
Retirement	26,866	-	26,866	22,924
Salaries	98,509	116,602	215,111	161,341
Taxes - payroll	7,896	-	7,896	3,674
Telephone	4,178	1,211	5,389	4,364
Capital outlay	30,166	2,529	32,695	13,867
Total expenditures	<u>313,418</u>	<u>125,189</u>	<u>438,607</u>	<u>363,483</u>
Excess (deficiency) of revenues over expenditures	265,608	101,706	367,314	441,465
Fund balances - beginning	<u>1,301,137</u>	<u>211,955</u>	<u>1,513,092</u>	<u>1,071,627</u>
Fund balances - ending	<u>\$ 1,566,745</u>	<u>\$ 313,661</u>	<u>\$ 1,880,406</u>	<u>\$ 1,513,092</u>

(continued on next page)

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS

Year Ended December 31, 2008

With Comparative Totals for Year Ended December 31, 2007

	Total Governmental Funds	
	<u>2008</u>	<u>2007</u>
Reconciliation of the change in fund balances-total governmental funds to the change in net assets of governmental activities:		
Net change in fund balances-total governmental funds	\$ 367,314	\$ 441,465
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	32,695	13,866
Depreciation expense	<u>(21,892)</u>	<u>(16,205)</u>
Change in net assets of governmental activities	<u>\$ 378,117</u>	<u>\$ 439,126</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENTS OF NET ASSETS - FIDUCIARY FUNDS
December 31, 2008 and 2007

ASSETS	Agency Funds	
	2008	2007
Cash	\$ 436,002	\$ 437,943
Receivables for civil cases	<u>10,035</u>	<u>12,782</u>
Total assets	<u>\$ 446,037</u>	<u>\$ 450,725</u>
LIABILITIES		
Accounts payable	\$ 13,147	\$ 12,585
Deposits held for disposition of civil cases	301,965	307,626
Due to other funds	<u>130,925</u>	<u>130,514</u>
Total liabilities	<u>\$ 446,037</u>	<u>\$ 450,725</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

1. Summary of Significant Accounting Policies

The City Court of Lake Charles, Louisiana (City Court) is responsible for judicial court hearings held for the City of Lake Charles, Louisiana (City).

The financial statements of the City Court have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City Court applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City Court does not apply FASB pronouncements or APB opinions issued after November 30, 1989. The City Court's more significant accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements include the various activities that are within the control and authority of the City Court. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the City Court is a component unit of the City and has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the City Court.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Internal service fund activity is eliminated to avoid doubling up revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

The Statement of Net Assets and the Statement of Activities report financial information for the City Court as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) court cost charges to users for the City Court's services; (2) court cost charges which finance annual building rental and maintenance. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

FUND FINANCIAL STATEMENTS

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City Court. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - Special Revenue Funds are used to account for all specific revenue sources that are legally restricted to expenditures for specified purposes.

FIDUCIARY FUND TYPES

Agency Fund - The Agency Fund is used to account for assets held by the City Court as an agent for individuals, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results in operations.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The City Court currently has one agency fiduciary fund. Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

D. Budgets and Budgetary Accounting

The Comptroller prepares a proposed budget and submits it to the City Court Judges prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them.

Any revisions that alter total expenditures of any fund must be approved by the Judges. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. All budgetary appropriations lapse at the end of each fiscal year.

Budgets for the General and Special Revenue Funds are adopted on a modified accrual basis of accounting. Budgeted amounts are as originally adopted, or as amended by the City Court Judges.

E. Cash

The City Court's cash is considered to be cash on hand and demand deposits.

F. Restricted Assets

These assets consist of cash deposits restricted for various purposes as detailed in Note 2.

G. Capital Assets and Depreciation

The Accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	15 to 40 years
Improvements, other than buildings	5 to 40 years
Machinery and equipment	3 to 15 years
Furniture and fixtures	3 to 10 years

2. Compliance and Accountability

Deposit laws and regulations (restricted assets):

Judicial Building Fund - In accordance with Louisiana Statute RS 13:1899, the City Court collects a filing fee and places it in an account dedicated exclusively to the acquisition, leasing, construction, equipping and maintenance of new and existing city courts.

Judicial Expense Fund - In accordance with Louisiana Statute RS 13:996, the City Court collects from every person filing any type of civil suit or proceeding and who is not otherwise exempt by law from payment of court costs, an additional sum to be placed in a separate account designated as the Judicial Expense Fund. This fund is established and may be used for any purpose or purposes connected with, incidental to or related to the proper administration or function of the City Court. No salary may be paid from the Judicial Expense Fund to any of the judges of the City Court.

3. Cash

In accordance with a fiscal agency agreement which is approved by the City Judges, the City Court maintains demand and time deposits through an administrator bank at participating local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or any Louisiana parish, municipality, or school district. The City Court's bank and demand and time deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the City Court's name.

4. Restricted Assets - Cash

Restricted assets described in Note 2 as of December 31, 2008 and 2007, are as follows:

	<u>2008</u>	<u>2007</u>
Cash deposits:		
Judicial building fund	\$ 802,000	\$ 667,383
Judicial expense fund	<u>1,000</u>	<u>1,001</u>
Total restricted cash	<u>\$ 802,000</u>	<u>\$ 668,384</u>

5. Capital Assets

Capital asset activity for the year ending December 31, 2008, was as follows:

	Balance 1/1/08	Additions	Deletions	Balance 12/31/08
Governmental activities:				
Equipment	\$ 336,952	\$ 32,695	\$ -	\$ 369,647
Furniture and fixtures	15,073	-	-	15,073
Totals at historical cost	<u>352,025</u>	<u>32,695</u>	<u>-</u>	<u>384,720</u>
Less accumulated depreciation:				
Equipment	308,891	21,507	-	330,398
Furniture and fixtures	12,442	385	-	12,827
Total accumulated depreciation	<u>321,333</u>	<u>10,803</u>	<u>-</u>	<u>343,225</u>
Governmental activities capital assets, net	<u>\$ 30,692</u>	<u>\$ 10,803</u>	<u>\$ -</u>	<u>\$ 41,495</u>

Capital asset activity for the year ending December 31, 2007, was as follows:

	Balance 1/1/06	Additions	Deletions	Balance 12/31/06
Governmental activities:				
Equipment	\$ 323,086	\$ 13,866	\$ -	\$ 336,952
Furniture and fixtures	15,073	-	-	15,073
Totals at historical cost	<u>338,159</u>	<u>13,866</u>	<u>-</u>	<u>352,025</u>
Less accumulated depreciation:				
Equipment	293,071	15,820	-	308,891
Furniture and fixtures	12,057	385	-	12,442
Total accumulated depreciation	<u>305,128</u>	<u>16,205</u>	<u>-</u>	<u>321,333</u>
Governmental activities capital assets, net	<u>\$ 33,031</u>	<u>\$ (2,339)</u>	<u>\$ -</u>	<u>\$ 30,692</u>

6. Retirement Benefits

Louisiana State Employees' Retirement System (LASERS):

Plan description:

The City Court Judges participate in the LASERS, a cost sharing municipal employer defined benefit pension plan administered by a separate Board of Trustees. LASERS provide retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. LASERS issue a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana's State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana, 70804-4213, or by calling (225)922-0600.

Funding policy:

The City Court Judges are required by Louisiana State Statute to contribute 11.5% of their annual covered salary and the City Court is required to contribute at an actuarially determined rate. The employer rates for 2008, 2007 and 2006 were 18.5%, 20.4% and 19.1% of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year fiscal year. The City Court's contributions to LASERS for the years ended December 31, 2008, 2007 and 2006 were \$22,641, \$22,476 and \$20,656, and were equal to the required contribution for the years.

7. Operating Leases

Operating lease - building:

The City Court of Lake Charles and the Housing Authority of the City of Lake Charles had a lease agreement for the year ended December 31, 2008. The City Court leased 13,181 square feet of the property located at 800 Bilbo Street, Lake Charles, Louisiana from the Housing Authority. A sum of \$5,272 assessed as monthly rent and 70% of the utilities required for the operation of the building were paid quarterly by the City Court. As of October 1, 2003, the City of Lake Charles, Louisiana began to pay the utilities for the City Court. Total payments for the years ended December 31, 2008 and 2007 were \$63,269 and \$63,269.

8. Louisiana Revised Statutes Concerning Mandated Fees

Louisiana Revised Statutes mandate fees to be assessed to each claim filed through the City Court Civil Section. The Judges are legally entitled to a portion of these fees. Louisiana Revised Statute 13:1874.1 limits the amount of salary legally of a City Court Judge to that not exceeding a District Court Judge of the Judicial District in which the City Court is located. Because the fees assessed amount to greater than the judges' salary expended, an overage has been created. The overage can be used by the judges as they deem proper, as long as the expenditures from the overage are not direct or indirect compensation to the judges. Once the fee is assessed and collected in the Agency Fund it is transferred to the Special Revenue Fund where the judges' salaries and retirement payments are expended.

9. Louisiana Revised Statute Concerning Forfeited Deposits

Louisiana Revised Statute 13:1907 establishes whenever a surplus of filing fees and cost has accumulated in the City Court of Lake Charles civil fee account and such fee or cost has remained unclaimed in excess of five years, the City Court may transfer the amount of surplus to the general operational fund of the court upon receipt of evidence that notice has been provided or attempted at the last known address to the person who would be due a refund.

CITY COURT OF
LAKE CHARLES, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2008

Required supplementary information includes financial information and disclosures that are required by GASB and are not considered a part of the basic financial statements. Such information includes:

- Budgetary comparison schedules - General Fund and Special Revenue Fund

CITY COURT OF LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GENERAL FUND BUDGET (GAAP BASIS) AND ACTUAL
 Years ended December 31, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Charges for services	\$ 102,300	\$ 95,000	\$ 95,820	\$ 820
Court costs and fines	173,059	263,000	262,948	(52)
Interest income	19,848	7,000	7,021	21
Miscellaneous income	8,291	16,000	15,902	(98)
Judicial building collections	230,530	197,000	197,335	335
Total revenues	<u>534,028</u>	<u>578,000</u>	<u>579,026</u>	<u>1,026</u>
Expenditures:				
Accounting and legal	0	50	49	1
Bank service charges	400	900	930	(30)
Dues and subscriptions	4,023	4,200	4,194	6
Equipment lease	400	400	434	(34)
Maintenance	3,788	300	294	6
Miscellaneous	6,150	4,500	4,514	(14)
Office expense	18,643	25,000	24,915	85
Professional development and training	52,780	45,500	45,560	(60)
Rent	63,269	65,000	64,913	87
Retirement	26,076	27,000	26,866	134
Salaries	63,692	99,000	98,509	491
Taxes - payroll	4,800	8,000	7,896	104
Telephone	3,104	4,000	4,178	(178)
Capital outlay	0	30,000	30,166	(166)
Total expenditures	<u>247,125</u>	<u>313,850</u>	<u>313,418</u>	<u>482</u>
Excess (deficiency) of revenues over expenditures	286,903	264,150	265,608	(1,508)
Fund balances - beginning	<u>1,301,137</u>	<u>1,301,137</u>	<u>1,301,137</u>	<u>0</u>
Fund balances - ending	<u>\$ 1,588,040</u>	<u>\$ 1,565,287</u>	<u>\$ 1,566,745</u>	<u>\$ (1,508)</u>

CITY COURT OF LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND BUDGET (GAAP BASIS) AND ACTUAL
Years ended December 31, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Charges for services	\$ 115,000	\$ 100,000	\$ 107,395	\$ 7,395
Court costs and fines	196,500	171,500	236,507	65,007
Interest income	14,500	20,000	19,847	(153)
Miscellaneous income	10,150	26,000	8,327	(17,673)
Judicial building collections	225,000	230,000	228,640	(1,360)
Total revenues	<u>561,150</u>	<u>547,500</u>	<u>600,716</u>	<u>53,216</u>
Expenditures:				
Bank service charges	166	400	429	(29)
Dues and subscriptions	4,000	4,000	4,023	(23)
Equipment lease	420	400	400	-
Maintenance	540	3,600	3,788	(188)
Miscellaneous	1,945	16,660	7,469	9,191
Office expense	17,215	18,340	17,429	911
Professional development and training	36,320	52,710	52,780	(70)
Rent	63,269	63,269	63,269	-
Retirement	20,500	22,450	22,924	(474)
Salaries	38,000	45,000	47,550	(2,550)
Taxes - payroll	3,200	3,500	3,674	(174)
Telephone	3,000	3,000	3,104	(104)
Capital outlay	10,000	-	12,462	(12,462)
Total expenditures	<u>198,575</u>	<u>233,329</u>	<u>239,301</u>	<u>(5,972)</u>
Excess (deficiency) of revenues over expenditures	362,575	314,171	361,415	47,244
Fund balances - beginning	<u>939,722</u>	<u>939,722</u>	<u>939,722</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,302,297</u>	<u>\$ 1,253,893</u>	<u>\$ 1,301,137</u>	<u>\$ 47,244</u>

CITY COURT OF LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND BUDGET (GAAP BASIS) AND ACTUAL
Years Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 194,639	\$ 220,000	\$ 220,332	\$ 332
Interest income	6,373	2,600	2,630	30
Miscellaneous	3,195	4,000	3,933	(67)
Total revenues	<u>204,207</u>	<u>226,600</u>	<u>226,895</u>	<u>295</u>
Expenditures:				
Bank service charges	246	250	247	3
Dues and subscriptions	2,253	2,000	1,543	457
Maintenance	360	250	251	(1)
Miscellaneous	3,865	940	1,054	(114)
Office expense	976	1,764	1,752	12
Professional development and training	25	25	0	25
Salaries	104,405	116,500	116,602	(102)
Telephone	1,260	1,260	1,211	49
Capital outlay	0	2,000	2,529	(529)
Total expenditures	<u>113,390</u>	<u>124,989</u>	<u>125,189</u>	<u>(200)</u>
Excess (deficiency) of revenues over expenditures	90,817	101,611	101,706	95
Fund balances - beginning	<u>211,955</u>	<u>211,955</u>	<u>211,955</u>	<u>-</u>
Fund balances - ending	<u>\$ 302,772</u>	<u>\$ 313,566</u>	<u>\$ 313,661</u>	<u>\$ 95</u>

CITY COURT OF LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND BUDGET (GAAP BASIS) AND ACTUAL
Years Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 70,000	\$ 194,000	\$ 194,639	\$ 639
Interest income	6,500	6,500	6,373	(127)
Miscellaneous	4,350	3,025	3,220	195
Total revenues	<u>80,850</u>	<u>203,525</u>	<u>204,232</u>	<u>707</u>
Expenditures:				
Bank service charges	230	230	246	(16)
Dues and subscriptions	1,400	2,200	2,253	(53)
Maintenance	650	360	360	-
Miscellaneous	1,430	3,800	3,865	(65)
Office expense	2,060	970	977	(7)
Professional development and training	25	25	25	-
Salaries	103,992	113,392	113,791	(399)
Telephone	950	1,200	1,260	(60)
Capital outlay	-	-	1,405	(1,405)
Total expenditures	<u>110,737</u>	<u>122,177</u>	<u>124,182</u>	<u>(2,005)</u>
Excess (deficiency) of revenues over expenditures	(29,887)	81,348	80,050	(1,298)
Fund balances - beginning	<u>131,905</u>	<u>131,905</u>	<u>131,905</u>	<u>-</u>
Fund balances - ending	<u>\$ 102,018</u>	<u>\$ 213,253</u>	<u>\$ 211,955</u>	<u>\$ (1,298)</u>

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MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable John S. Hood
Honorable Thomas P. Quirk
City Court of Lake Charles
Lake Charles, Louisiana

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the City Court of Lake Charles, Louisiana (City Court), a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 2008, and have issued our report thereon dated June 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City Court's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City Court's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City Court's financial statements that is more than inconsequential will not be prevented or detected by the City Court's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting, 08-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 08-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Court Judges, management, state awarding agencies, pass-through entities, others within the entity, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Burch.

Lake Charles, Louisiana
June 24, 2009

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2008

We have audited the financial statements of the City Court of Lake Charles, Louisiana as of and for the year ended December 31, 2008, and have issued our report thereon dated June 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2008 resulted in an unqualified opinion.

Section I - Summary of Auditor's Results

Report on Internal Control and Compliance Material to the Financial Statements

Internal control

Material weaknesses ☒ Yes ☐ No

Other conditions ☒ Yes ☐ No

Compliance

Compliance material to financial statements ☐ Yes ☒ No

(continued on next page)

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2008
(Continued)

Section II - Financial Statement Findings

2008-01

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

This condition was also reported as a result of the prior year's audit.

Response: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve an adequate level of segregation of responsibilities. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures and periodic review of bank reconciliations.

CITY COURT OF
LAKE CHARLES, LOUISIANA

OTHER INFORMATION AND RECOMMENDATIONS
Year Ended December 31, 2008

1. Fixed Asset Accountability

Over the years the City Court has acquired a number of fixed assets, however, there is no specific detailed listing of individual assets. It is recommended that a complete inventory of all City Court owned property and equipment be conducted to specifically identify all fixed assets of the City Court. This procedure would require an inventory process, as well as tagging and identifying fixed asset by type and location. Management would need to adopt a capitalization policy to determine what dollar level of assets are to be accounted for. This procedure would be important for two reasons: first for insurance purposes to insure that in the event of a loss, assets can be specifically identified and second to improve controls over accountability of all City Court owned assets. Additionally, once the inventory process is complete, it is recommended that a procedure be implemented to tag and identify new fixed assets as they are acquired to insure that the inventory process will not have to be repeated.

Management response - The City Court has begun to identify and tag all assets owned. The City Court will continue to take the necessary steps to complete fixed asset listing.

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2008

2007-01

Condition: Effective internal control requires adequate segregation of duties among client personnel. Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current status: See current year reportable condition 2008-01.

2007-02

Condition: The Auditing Standards Board recently issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. SAS No. 112 emphasizes that the auditor cannot be part of the system of internal control over financial reporting. In our judgment, City Court's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Current status: Resolved.